



**DRAFT BUDGET OF**

# **GREATER GIYANI MUNICIPALITY**

**2018/19 TO 2020/21  
MEDIUM TERM REVENUE AND EXPENDITURE  
FORECASTS**

**Adopted by council on 23 March 2018**

**Copies of this document can be viewed:**

- At the receptions of all municipal buildings
- All public libraries within the municipality
  - At [www.greatergiyani.gov.za](http://www.greatergiyani.gov.za)

## Table of Contents

ANNEXURE.....	1
<b>PART 1 – DRAFT BUDGET.....</b>	<b>3</b>
1.1 Mayors Report .....	3
1.2 Council Resolutions.....	5
1.3 Executive Summary.....	7
1.4 Operating Revenue Framework.....	8
1.5 Operating Expenditure Framework.....	11
1.6 Capital Expenditure.....	14
1.7 Draft Budget Tables.....	15
<b>PART 2 – SUPPORTING DOCUMENTATION.....</b>	<b>26</b>
2.1. Overview of the Draft Budget Process.....	26
2.2. Overview of the alignment of Annual Budget with IDP.....	30
2.3. Overview of Budget Related Policies.....	33
2.4. Overview of Budget Assumptions.....	34
2.5. Overview of Budget Funding.....	34
2.6. Expenditure on allocations and grants programmes.....	34
2.7. Allocations of grants made by the municipality.....	35
2.8. Councillors and board member allowances and employee benefits.....	36
2.9. Monthly targets for revenue, expenditure and cash flow.....	37
2.10. Contracts having future budgetary implications.....	38
2.11. Capital expenditure details.....	39
2.12. Legislation compliance status.....	40
2.13. Other supporting documentation.....	41
2.14. Draft budgets of municipal entities.....	42
2.15. Municipal Manager’s quality certification.....	43

## Part 1 – Draft Budget

### 1.1 Mayor's Report

I have the honour to present to this March house the 2018/19 IDP/ budget.

Here under are the projects for 2018/19:

HIGH MAST LIGHT ENERGISING	2 000 000.00
ACCESS ROADS TO TRIBAL OFFICES	2 000 000.00
ALIGNMENT OF LUS	700 000.00
ALTERNATIVE ROAD TO GIYANI FROM R81	5 000 000.00
BODE PAVING OF INTERNAL STREETS	2 006 623.31
CIVIC CENTRE BUILDING, PHASE 2	4 000 000.00
DEEDS REGISTRATION OF SITES	800 000.00
DEVELOPMENT OF ROADS & STORMWATER MASTER PLAN	1 000 000.00
Electrification of Hlomela, Siyandhani, Babangu Villages (545 )	400 000.00
Electrification of Mahlathi & Ximausa Villages (591)	4 100 000.00
Electrification of Mbaula, Mushiyani, Xitlakati & Khaxani villages (1082 units)	2 000 000.00
Electrification of Mhlava-Willem, Sekhiming, Mbatlo & Shivulani Villages (369)	2 000 000.00
Electrification of Shikhumba, Nkomo C, Nkomo B, & Dzingidzingi Villages (898 units)	7 100 000.00
EXTENSION OF PALLISADE FENCE AT POUND STATION	500 000.00
FORMALISATION OF CHURCH VIEW	650 126.00
GIS UPGRADE	200 000.00
GIYANI SECTION E UPGRADING FROM GRAVEL TO TARR PHASE 2	3 000 000.00
GIYANI SECTION E SPORTS PRECINCT(ROAD,SIDEWALKS,LIGHTING)	2 000 000.00

GIYANI SECTION F UPGRADING FROM GRAVEL TO PAVING PHASE 3 (2,9KM)	6 444 665.47
HOMU 14B TO 14A UPGRADING FROM GRAVEL TO TAR	9 000 000.00
JIM-NGHALALUME COMMUNITY HALL	500 000.00
MAGEVA SPORTS CENTRE	10 065 239.59
MAKOSHA UPGRADING FROM GRAVEL TO PAVING	9 214 739.00
MAVALANI INDOOR SPORTS CENTRE	500 000.00
NDHAMBI TAXI RANK	1 000 000.00
N'WADZEKUDZEKU COMMUNITY HALL	500 000.00
PROCLAMATION PROGRAMME	1 000 000.00
PUBLIC TRANSPORT FACILITIES	500 000.00
PUBLIC TRANSPORT SHELTERS	300 000.00
REFURBISHMENT OF GIYANI ARTS & CULTURE CENTRE	1 000 000.00
REFURBISHMENT OF GIYANI STADIUM & SECTION A TENNIS COURT	100 000.00
REFURBISHMENT OF SHIVULANI SPORTS CENTRE	100 000.00
REFURBISHMENT OF SPORTING FACILITIES (GAWULA)	100 000.00
REHABILITATION OF DUMPING SITE	4 000 000.00
REHABILITATION OF STREETS IN ALL SECTIONS	1 500 000.00
REVIEW OF LED STRATEGY	200 000.00
REVIEW OF SDF	1 000 000.00
REZONING AND SUBDIVISION OF PARKS	500 000.00
SECTION E SPORTS CENTRE	500 000.00
SITE DEMARCATION IN VILLAGES	1 500 000.00
STREET NAMING (INCLUDING REGISTRATION)	100 000.00
TOWN EXPANSION(NGOVE VILLAGE)	3 000 000.00

TOWNSHIP ESTABLISHMENT SIYANDHANI	500 000.00
UPGRADING OF GIYANI TRAFFIC LIGHTS & R81 LIGHTING	3 500 000.00
UPGRADING OF NKHENSANI ACCESS(SIDEWALKS,LIGHTING,BUS STOP ,STALLS)	1 000 000.00
UPGRADING OF PACKING LOT	1 500 000.00
UPGRADING OF ROAD D3187 FROM GRAVEL TO TAR	1 000 000.00
WASTE DISPOSAL SITE DEVELOPMENT	18 468 082.63
XIKUKWANE GRAVEL TO TARR (RAL)(D3804 & D3805)	3 000 000.00

## CONCLUSION

With these allocations we aim to bring tangible changes to the lives of our people. The State President, through the State of the Nation Address, has explicitly given marching orders with regard to what government need to do for the betterment of our people. Our long standing objectives are reducing poverty, creating jobs and ensuring a better life for all.

I am mindful that poverty still afflicts and chains the majority of our rural population. I am mindful that serious service backlogs and lack of adequate infrastructure network are still issues to be addressed aggressively throughout our municipality.

It is now my honour to formally table the **Draft 2018/2019 IDP, and MTREF BUDGET and TARRIF STRUCTURE FOR 2018/19 FINANCIAL YEAR AND THE TWO OUTER YEARS 2019/20/2020/21** for **Adoption** by Council.

## 1.2 Council Resolutions

On 23 March 2018 the Council of Greater Giyani Local Municipality met in the Giyani Old Legislative Assembly Hall to consider the draft budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Greater Giyani Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 ;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 ;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 ; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 23 ;
    - 1.2.2. Budgeted Cash Flows as contained in Table 24 ;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 ;
    - 1.2.4. Asset management as contained in Table 26 ; and
    - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Greater Giyani Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:
  - 2.1. the tariff structure of municipal services as set out in Annexure A.
3. To give proper effect to the municipality's annual budget, the Council of Greater Giyani Local Municipality approves:
  - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

**SIGNED FOR AND ON BEHALF OF  
THE GREATER GIYANI MUNICIPAL COUNCIL**

**SPEAKER**

**23/03/2018**

\_\_\_\_\_  
**CLLR M P HLUNGWANI**

\_\_\_\_\_  
**DATE**

**MAYOR**

**23/03/2018**

\_\_\_\_\_  
**CLLR S S MATHEBULA**

\_\_\_\_\_  
**DATE**

**COUNCILLOR FOR FINANCE**

**23/03/2018**

\_\_\_\_\_  
**CLLR K A MANGANYI**

\_\_\_\_\_  
**DATE**

### 1.3 Executive Summary

National Treasury's MFMA Circular No. 89 and 91 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2018/19 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:



**Table 1 Consolidated Overview of the 2018/19 MTREF**

R thousand	Adjustments Budget 2017/18	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Total Operating Revenue	336,637	351,371	378,911,	406,644
Total Operating Expenditure	330,414	352,095 258,520.	353,879	384,006
<i>(Surplus)/Deficit for the year</i>	-30,000	-30,000	-31,620	-33,359
Total Capital Expenditure	135,339	99,949	130,140	132,546

Total operating revenue has gone down by 4.38 per cent or R14, 7 million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by 7.84 and 7.32 per cent respectively.

Total operating expenditure for the 2018/19 financial year has been appropriated at R352.million and translates into a budgeted deficit of R30, million. When compared to the 2017/18 Adjustments Budget, operational expenditure has grown by 6,56per cent in the 2018/19 budget and by 0.51 and 8.51 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to –R31, 6 million and then stabilise at –R33,4 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R99.9 million for 2018/19 is 26.15 per cent less when compared to the 2017/18 Adjustment Budget. The capital programme increases to R130, 1 million in the 2019/20 financial year and then evens out in 2020/21 to R132, 6 million. A substantial portion of the capital budget will be funded from the local government equitable share over MTREF. The balance will be funded from internally generated funds.

### 1.3.1. Operating Revenue Framework

For Greater Giyani Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;

- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

LIM331 Greater Giyani - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	28,668	30,676	33,865	30,000	30,000	30,000	30,000	35,000	37,000	39,000
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	3,953	4,237	4,473	4,300	4,400	4,400	4,400	4,700	4,900	5,200
Service charges - other											
Rental of facilities and equipment		840	880	880	846	812	812	812	788	827	869
Interest earned - external investments		14,894	13,401	15,175	11,776	17,324	17,324	17,324	15,200	15,960	16,758
Interest earned - outstanding debtors			8,473	5,646	5,000	5,000	5,000	5,000	6,000	6,300	6,615
Dividends received											
Fines, penalties and forfeits		91	93	31	100	202	202	202	32	34	35
Licences and permits		4,499	5,174	4,926	7,300	5,588	5,588	5,588	7,300	7,665	8,048
Agency services		245	285	319	-	-	-	-	-	-	-
Transfers and subsidies		175,399	226,341	222,488	241,457	241,311	241,311	241,311	259,395	283,183	306,849
Other revenue	2	1,547	1,162	1,842	1,822	31,301	31,301	31,301	22,956	23,042	23,270
Gains on disposal of PPE		427	-	-	-	700	700	700	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>230,564</b>	<b>290,722</b>	<b>289,644</b>	<b>302,601</b>	<b>336,637</b>	<b>336,637</b>	<b>336,637</b>	<b>351,371</b>	<b>378,911</b>	<b>406,644</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2017/18 financial year, revenue from rates and services charges totalled R34,4 million. This stabilise at R39.7 million, R41.9 million and R44.2 million in the respective financial years of the MTREF.

Operating grants and transfers totals R259, 3 million in the 2018/19 financial year and steadily increases to R306, 8 million by 2020/21.

**Table 3 Operating Transfers and Grant Receipts**

LIM331 Greater Giyani - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		185,938	236,341	232,488	261,457	261,311	261,311	270,595	295,983	319,349
Local Government Equitable Share		171,547	221,972	219,308	234,578	234,578	234,578	253,351	280,648	304,314
Finance Management		1,600	1,675	1,810	2,145	2,145	2,145	2,145	2,145	2,145
EPWP Incentive		1,480	1,581	1,158	4,364	4,364	4,364	3,519	-	-
Integrated National Electrification Programme		10,000	10,000	10,000	20,000	20,000	20,000	11,200	12,800	12,500
Municipal Systems Improvement		934	930	-						
LG SETA		377	184	212	370	224	224	380	390	390

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 5.5 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

### 1.3.2. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

**Table 4 Comparison of proposed rates to levied for the 2018/19 financial year**

Category	Current Tariff (1 July 2017)	Proposed tariff (from 1 July 2018)
	<b>c</b>	<b>C</b>
Residential properties	0,006	0,007
State owned properties	0,042	0,044
Business & Commercial	0,025	0,027

The following table compares current and proposed amounts payable from 1 July 2017:

**Table 5 Comparison between current waste removal fees and increases**

Description	Current tariffs 2017/18	Proposed tariffs 2018/19
Refuse Removal daily collection	R2 653,53	R2 794,17
Refuse removal Businesses	R1 791,70 per month	R1 886,66 per month
Refuse removal government	R1 507 per month	R1 580 per month
Refuse removal Business Medium	R 895,85 per month	R 943,33 per month
Refuse removal Business Small	R 378 per month	R 398,03 per month
Refuse removal residential	R33,59 per month	R 35,37 per month
Refuse removal indigent	Free	Free

### 1.3.3. Operating Expenditure Framework

The Municipality expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

**Table 6 Summary of operating expenditure by standard classification item**

Expenditure By Type											
Employee related costs	2	94 202	108 057	119 525	134 140	127 397	127 397	127 397	144 558	151 786	159 376
Remuneration of councillors		18 573	18 274	19 432	20 504	22 535	22 535	22 535	23 857	25 050	26 302
Debt impairment	3	(45 410)	7 246	25 229	15 000	15 000	15 000	15 000	10 000	10 540	11 120
Depreciation & asset impairment	2	14 406	20 362	38 554	30 000	30 000	30 000	30 000	30 000	31 620	33 359
Finance charges		-	-	-	-	-	-	-	-	-	-
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	7 889	25 777	16 265	8 150	7 345	7 345	7 345	12 261	12 874	13 518
Contracted services		214	301	-	73 638	77 842	77 842	77 842	78 620	76 871	79 775
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	66 998	112 811	101 309	47 444	50 295	50 295	50 295	52 799	45 138	60 557
Loss on disposal of PPE		-	-	2 380	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>156 872</b>	<b>292 828</b>	<b>322 694</b>	<b>328 875</b>	<b>330 414</b>	<b>330 414</b>	<b>330 414</b>	<b>352 095</b>	<b>353 879</b>	<b>384 006</b>

The budgeted allocation for employee related costs for the 2018/19 financial year totals R144,6 million, which equals 41.06 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7 per cent for the 2018/19 financial year. An annual increase of 5 per cent and 5 per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality budget.

The provision of debt impairment was determined. For the 2018/19 financial year this amount equates to R10 million and increase to R10.5 million by 2019/20. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R30 million for the 2018/19 financial and equates to 8.52 per cent of the total operating expenditure.

Other materials comprise of amongst others the materials for maintenance. For 2018/19 the appropriation against this group of expenditure has went up by 66,93per cent (R4.916 Million) and continues to grow at 5 per cent for the two outer years.

Other expenditure comprises of various line items relating to the daily operations of the municipality and operational projects. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. For 2018/19 this expenditure increases by 4,98 per cent.

### 1.3.4. Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality current infrastructure, the 2018/19 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 7 Operational repairs and maintenance**

Repairs and Maintenance	8									
Employee related costs										
Other materials		7,889	25,777	16,265	19,800	12,931	12,931	12,931	18,610	19,541
Contracted Services										
Other Expenditure										
Total Repairs and Maintenance Expenditure	9	7,889	25,777	16,265	19,800	12,931	12,931	12,931	18,610	19,541

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality infrastructure and historic deferred maintenance. The total allocation for 2018/19 equates to R18.6 million a growth of 43, 91 per cent in relation to the Adjustment Budget and continues to grow by 5% in 2019/20. In relation to the total operating expenditure, repairs and maintenance comprises of 5.29 ; 5.52 and 5.34 per cent for the respective financial years of the MTREF.

### 1.3.5. Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality Indigent Policy. The target is to register 80 000 or more indigent households during the 2018/19 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

### 1.3.6. Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 8 2018/19 Medium-term capital budget per vote**

<b>Capital Expenditure - Functional</b>											
<i>Governance and administration</i>		9 518	973	3 149	12 428	27 927	27 927	27 927	13 700	17 370	6 000
Executive and council		2	488	–	100	–	–	–	–	–	–
Finance and administration		9 516	485	3 149	12 328	27 927	27 927	27 927	13 700	17 370	6 000
Internal audit		–	–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		19 144	41 134	2 021	43 305	30 969	30 969	30 969	17 365	34 654	17 000
Community and social services		9 361	18 889	–	18 950	1 216	1 216	1 216	2 500	8 500	8 500
Sport and recreation		9 783	22 244	2 021	24 355	29 753	29 753	29 753	13 365	25 154	7 500
Public safety		–	–	–	–	–	–	–	1 500	1 000	1 000
Housing		–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		59 823	20 734	25 354	35 790	55 957	55 957	55 957	45 716	51 617	86 046
Planning and development		778	–	–	900	40	40	40	150	–	–
Road transport		59 045	20 734	25 354	34 890	55 917	55 917	55 917	45 566	51 617	86 046
Environmental protection		–	–	–	–	–	–	–	–	–	–
<i>Trading services</i>		–	1 097	–	21 500	20 487	20 487	20 487	23 168	26 500	23 500
Energy sources		–	1 097	–	21 500	3 085	3 085	3 085	4 300	4 000	4 000
Water management		–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–
Waste management		–	–	–	–	17 402	17 402	17 402	18 868	22 500	19 500
<i>Other</i>		–	–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure - Functional</b>	3	88 485	63 937	30 524	113 024	135 339	135 339	135 339	99 949	130 140	132 546

Transport and roads receives the highest allocation of R45.7 million in 2018/19 which equates to 45.74 per cent of the total capital budget. Waste management is at 18.88 per cent, R18,8 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management) . In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class

## 1.4. Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the following page.



**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2018/19, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function.
4. Functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and treasury Office.

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R422 million in 2018/19 and escalates to R483.1 million by 2020/21. This represents a year-on-year decrease of 3.15 per cent for the 2018/19 financial year and 6.81 per cent for the 2020/21 financial year.
2. Revenue to be generated from property rates is R35 million in the 2018/19 financial year and increases to R38 million by 2020/21 which represents 9,96 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It increases over the medium-term and tariff increases have been factored in at 5,71 per cent and 5.41 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R4.7 million for the 2018/19 financial year and increasing to R5.2 million by 2020/21. For the 2018/19 financial year services charges amount to 1,1 per cent of the total revenue base and grows by 6,12 per cent per annum over the medium-term.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 7.49 per cent for 2018/19 financial year, 9.17 per cent and 8.36 per cent for the two outer years.

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2018/19 has been allocated of the total R99.9 million capital budgets. This allocation escalates to R130, 1million in 2019/20 and then flattens out to R132, 5million in 2020/21.
3. Single-year capital expenditure has been appropriated at R12,9 million for the 2018/19 financial year and remains relatively constant over the MTREF at levels of R15.3 million and R3 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2018/19, capital transfers totals R99.1 million and escalates to R76.5 million by 2020/21.

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The approved 2017/18 MTREF provide for a further net decrease in cash of R798 thousand for the 2017/18 financial year resulting in an overall projected position cash position of R164,8 million at year end.
4. As part of the 2017/18 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R174 million as at the end of the 2017/18 financial year and escalates to R298,3 million by 2018/19.

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.



**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality meets both these recommendations.

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The municipality continues to make good progress with the eradication of backlogs:
  - a. Water services – These households are largely found in ‘reception areas’ and will need to be moved to formal areas so that they can receive services.
  - b. Sanitation services – The number of households with no toilet provision will be reduced to 20 046 households in 2018/19.
  - c. Electricity services – Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 69 000 households budgeted to be electrified in 2018/19.
  - d. Refuse services – backlog will be reduced by 60 456 households in 2018/19 financial year. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.

## Part 2 – Supporting Documentation

### 2.1. Overview of the draft budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1. Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 26 July 2014. Key dates applicable to the process were:

#### August 2017

- Review of previous year's budget and IDP process and completion of budget evaluation checklist.
- Develop a timetable of key budget and IDP deadlines for the 2018/2019 budget process.
- Approval of SDBIP 28 days after approval of budget.
- Finalization and signing of performance agreements (by senior managers).

**October 2017**

- Review past performance (financial & non-financial): Analysis of current reality including basic facts and figures.
- Review long term plans, setting out long term performance plans in terms of outcomes, service level requirements, demographics, backlogs etc.

**November 2017**

- Initial tariff and revenue modelling.
- Integrate macro-economic indicators using Medium Term Budget Policy Statement (MTBPS) from NT.
- Projects prioritization with the communities: Input and feedback flow.

**January 2018**

- Draft HR plan including personnel budgets.
- Draft IDP amendments.
- Draft operating and capital plans per function or department, detailing service levels, initiatives, financial forecasts and non-financial indicators
- Detailed line item budget in line with operating and capital plans per function or department.
- Prepare and submit to NT, PT and DLG&H the annual reports for 2016/17 and all prior years.
- Assess municipal performance for the first 6 months of 2017/18 and submit mid-year performance assessment to Council. Include oversight report with any corrective measures proposed.
- Table the 2017/18 adjustment budget.

**March 2018**

- Table Draft Budget Document: Information from operational plans and line item budgets are combined to form the draft annual budget document
- Update and develop sector/ integrated plans/ programmes.

**April 2018**

- Public consultations and budget debates (commencement): Make budget available to and considers views of the public, NT, PT and other stakeholders.

**May 2018**

- Approval of IDP and budget together with revised tariffs, budget related policies, SDBIP and IDP /Budget process plan for 2018/19.
- Submission of IDP and budget to NP, PT, DLG&H as well as other stakeholders.

The draft 2018/19 MTREF budget and IDP was tabled before council on 23 March 2018.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### 2.1.2. IDP and Service Delivery and Budget Implementation Plan

The Municipality IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### 2.1.3. Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, household debt, migration patterns)
- Performance trends
- The approved 2017/18 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment level
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 89 and 91 has been taken into consideration in the planning and prioritisation process.

## 2.2. Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIS);
- Accelerated and Shared Growth Initiative (ASGISA);



- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2018/19 MTREF and further planning refinements that have directly informed the compilation of the budget.

A copy of the municipal draft IDP for 2018/2019 financial year is attached as **ANNEXURE Q**.

## 2.3. Overview of budget related-policies

The Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **Budget Related Policy Attached with the budget document**

- Tariff Structure-**ANNEXURE A**
- Tariff Policy-**ANNEXURE B**
- Indigent Policy - **ANNEXURE C**
- Property Rates Policy - **ANNEXURE D**
- Credit control and Debt Collection Policy – **ANNEXURE E**
- Virement policy – **ANNEXURE F**
- Supply Chain Management Policy-**ANNEXURE G**
- Subsistence & Travel Policy - **ANNEXURE H**
- Cash and investment Management Policy - **ANNEXURE I**
- Car Allowance Policy - **ANNEXURE J**
- Remuneration Policy - **ANNEXURE K**
- Fleet Management Policy - **ANNEXURE L**
- Asset Management Policy – **ANNEXURE M**
- Budget Policy – **ANNEXURE N**
- Property Rates by laws - **ANNEXURE O**
- Credit control bi laws – **ANNEXURE P**

These policies are attached in the Budget document as annexures

## **2.4. Overview of budget assumptions**

Industry-related rates are used as a baseline for raising estimates for all goods and services to be procured.

The budget takes into consideration national headline inflation estimates and trends that emerged while implementing the SDBIP in the outgoing financial year.

## **2.5. Overview of budget funding**

The projected year-end balance for cash and cash equivalents for 30 June 2016 has been taken into account. The anticipated increase in revenue from municipal tariffs and improving collection rate, estimated at 70 per cent for the first budget year, justifies the anticipated increase in own revenue. Additional revenue is anticipated from property rates because of the new valuation roll that was done in the current financial year and identifies new properties in the municipal areas.

Only gazetted grants and transfers from national government, totalling R330M, were factored into the funding envelope. This is to ensure that the budget is based on realistically anticipated revenue.

The projected deficit before recognized capital transfers and depreciation offsets represents a non-cash deficit made up of depreciation charges.

## **2.6. Expenditure on allocations and grant programmes**

Specific purpose transfers received by the municipality are allocated to capital projects implemented by the municipality in accordance with grant conditions. The other grants, including LGES, are allocated to operational programmes, such as the provision of free basic services, and operating costs.

## **2.7. Allocations of grants made by the municipality**

The municipality makes no transfers in the form of grants to other institutions.

## **2.8. Councillors and board member allowances and employee benefits**

Employees costs of councillors and officials are budgeted for at a global increase of 7 per cent as confirmed increment rates are not yet available. This is based on a weighting of headline inflation estimates and indications from negotiations going on at the bargaining chamber. The actual increment is 7per cent but on SA22 it's shows 12,3 per cent due to budgeted vacant positions.

## **2.9. Monthly targets for revenue, expenditure and cash flow**

The MBRR SA25 to SA30 is attached.

## **2.10. Contracts having future budgetary implications**

In terms of the Municipality Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## 2.11. Capital expenditure details

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 8 2018/19 Medium-term capital budget per vote**

Capital Expenditure - Functional											
Governance and administration		9 518	973	3 149	12 428	27 927	27 927	27 927	13 700	17 370	6 000
Executive and council		2	488	—	100	—	—	—	—	—	—
Finance and administration		9 516	485	3 149	12 328	27 927	27 927	27 927	13 700	17 370	6 000
Internal audit		—	—	—	—	—	—	—	—	—	—
Community and public safety		19 144	41 134	2 021	43 305	30 969	30 969	30 969	17 365	34 654	17 000
Community and social services		9 361	18 889	—	18 950	1 216	1 216	1 216	2 500	8 500	8 500
Sport and recreation		9 783	22 244	2 021	24 355	29 753	29 753	29 753	13 365	25 154	7 500
Public safety		—	—	—	—	—	—	—	1 500	1 000	1 000
Housing		—	—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—	—
Economic and environmental services		59 823	20 734	25 354	35 790	55 957	55 957	55 957	45 716	51 617	86 046
Planning and development		778	—	—	900	40	40	40	150	—	—
Road transport		59 045	20 734	25 354	34 890	55 917	55 917	55 917	45 566	51 617	86 046
Environmental protection		—	—	—	—	—	—	—	—	—	—
Trading services		—	1 097	—	21 500	20 487	20 487	20 487	23 168	26 500	23 500
Energy sources		—	1 097	—	21 500	3 085	3 085	3 085	4 300	4 000	4 000
Water management		—	—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—	—
Waste management		—	—	—	—	17 402	17 402	17 402	18 868	22 500	19 500
Other		—	—	—	—	—	—	—	—	—	—
Total Capital Expenditure - Functional	3	88 485	63 937	30 524	113 024	135 339	135 339	135 339	99 949	130 140	132 546

Transport and roads receives the highest allocation of R45.7 million in 2018/19 which equates to 45.74 per cent of the total capital budget. Waste management is at 18.88 per cent, R18,8 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management) . In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class



## 2.12. Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed six interns undergoing training in various divisions of the Financial Services Department and one is appointed to Internal Audit from 1 January 2013.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

The Municipality has not yet established its own Audit Committee; However, an Audit Committee appointed by the District Municipality provides shared services to all the local municipalities in the district.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised and approved by the mayor.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

## 2.13.OTHER SUPPORTING DOCUMENTATION

Supporting details to budget are contained in supporting tables SA1 to SA37.

The tariffs structure for 2018/2019 financial year is attached (**Annexure A**).

**2.14. Draft budgets of municipal entities attached to the draft budget**

Greater Giyani municipality does not have an entity.

**2.15. MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

**To:** Provincial Treasury, Limpopo

National Treasury, South Africa

**QUALITY CERTIFICATE ON THE DRAFT MTREF BUDGET**

I, **MKHACANI MAXWELL CHAUKE**, municipal manager of **GREATER GIYANI MUNICIPALITY**, hereby certify that the draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and the regulations made under the Act, and the draft budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

\_\_\_\_\_  
**MM Chauke**  
Municipal Manager:  
**Greater Giyani Municipality**  
LIM 331

\_\_\_\_\_  
**Date**